Statement of Rep. Tom Davis
Ranking Member
Committee on Oversight and Government Reform

"Allegations of Waste, Fraud and Abuse in Pharmaceutical Pricing: Financial Impacts on Federal Health Programs and the Federal Taxpayer"
February 9, 2007

Thank you Mr. Chairman for holding today's hearing to consider the potential for waste, fraud, and abuse in three federal healthcare programs. In the past, we shared a bipartisan "zero tolerance" approach to the misuse of vital health care dollars, and I look forward to continuing that important work on behalf of U.S. taxpayers. In this oversight, fiscal vigilance also means better physical well-being for millions of Americans who use these federal programs.

As we will hear today, both the HHS Inspector General and the Department of Justice are actively prosecuting drug manufacturers who circumvent pricing and reporting requirements designed to make sure patients treated by Medicare, Medicaid and public health clinics get mandated discounts on prescription drugs. In the complex world of pharmaceutical prescribing, packaging, and pricing – as in the rest of our health care delivery system – cost shifts between providers, payers and patients can be difficult to trace. But when payments shift unlawfully into someone's pocket, oversight systems have to be able to detect and recoup those losses.

So I'm particularly interested in hearing testimony from today's witnesses on the different forms of waste, fraud and abuse they find in these very different federal health programs. In the Medicaid and 340B systems, the federal government is directly involved in negotiating drug prices. Some call that the "old way of doing things." We'll hear today how those systems have been scammed.

On the other hand, the Medicare Part D Prescription Drug Plan, passed in 2003, relies far more heavily on competitive market forces to get the best price for senior citizens. The Majority mistrusts that mechanism, alleging higher costs and a greater potential for fraud because the Part D program lacks a "best price" provision that federal government negotiators might use to get a better deal. The House recently passed H.R. 4, the Medicare Prescription Drug Price Negotiation Act of 2007, to give the HHS Secretary that negotiating authority.

With than in mind, Mr. Chairman, I hope this hearing is not an exercise in backward oversight: a conclusion in search of facts. There is no evidence the Medicare prescription drug benefit is more costly, or more prone to abuse, than the other government-run programs under discussion here today. In fact, the average monthly premium for the basic Medicare drug benefit is down more than 40% from the $37 per month originally projected. This year, the average monthly premium for the basic benefit is $22, a dollar less than the year before. A recent Congressional Budget Office analysis of H.R. 4 concluded the bill would have very little effect on net federal spending and would not result in drug prices any lower than those achieved by the current system. [I ask unanimous consent to insert the January 10, 2007 CBO analysis into the hearing record.]

This is great news for America's seniors, and it's a direct result of competition and choice. It's also probably why 80 percent of participating seniors are happy with the drug benefit.

If the young Medicare Part D program is susceptible to unique forms of waste, fraud and abuse, we need to hear about it from these witnesses and we need to address those vulnerabilities with deterrence and strong enforcement programs. But we shouldn't base our oversight on premature conclusions about the efficiency of the pricing mechanism that is serving 33 million senior citizens so well today.